REGION OPERATIONS REPORT

PHILIP MORRIS USA

DRS HIGHLIGHTS

MONTH:

JULY 1987

2024665419

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

REGION HIGHLIGHTS

MARKETING CONDITIONS

P.M. Brands

Sales during July were up 5.5% vs. July of 1986, bringing our YTD increase up to 1.3%. Marlboro brand is strong showing a 3.6% YTD increase. Parliament is off 4%, B&H off 3.9% and Virginia Slims off 1.9%. Merit seems to have turned the corner and is up by .5%, while Cambridge is up 40.4%.

Our last SOM figures indicated that we are gaining in the Price/Value category. We were up to 16.5% during May, and I expect good increases as we get more current figures.

Cambridge Full Flavor

The retail implementation is moving ahead well considering the number of people on vacation. We still have some major "holdouts" (Supermarkets General, Star Markets, CVS Drug, Brooks Drug, Ames Dept. Stores, Price Chopper and Victory Markets).

Overall, field feedback indicates we have about 80%+ of our self-service Cambridge family couponed.

While this category is underdeveloped in general throughout the Region, it is clear there is a market for these products. While Cambridge will make its niche in the market, we need to develop some new brands in this category if we are to be come the dominant player.

We will be getting some 25¢ off product to help combat the Magna blitz that is going on in parts of our Region. More of this couponing is needed to make us competitive on a regular basis.

MAJOR COMPETITIVE ACTIVITY

American

Pall Mall Filter 85's and 100's introduction throughout most of Region I beginning in August. Offering 10% off invoice for direct customers.

A payment grid for Price/Value brands has been developed:

- $3.00 per row on our fixture
- $2.50 per row on competitive fixture

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MAJOR COMPETITIVE ACTIVITY (cont'd)

B & W

Capri, as reported last month, is entering the N.Y. market. To date chain and wholesale acceptance has been good.

Falcon Lights seems to be overshadowed by Magna and even Cambridge. They have begun using 25¢ off stickers to increase their promotional activity.

LORILLARD

Stripes will be tested in the Albany, N.Y. market. Details were forwarded to Steve Sabella.

R.J. REYNOLDS

Magna continues to perform very well. They seem to be putting an unlimited supply of B1G1F into retail along with heavy carton couponing.

A mail offer featuring 11 coupons made up of 5 free pack coupons and 6 B1G1F has been mailed out to people on one of their mailing lists.

A Winston-Salem U.S. Savings Bond promotion is under way on large floor displays. A free U.S. bond can be received with the purchase of 8 cartons.

The RJR overhead is being sold in with a 24-hour delivery guarantee to retail. In addition, a conversion bonus is being paid if the account replaces a P.M. rack ($150.00).

Reports that many veteran RJR people plan on taking advantage of the early retirement program.

TRADE CLASSES

Distributors/Wholesale Grocers

We have received more than the usual amount of complaints regarding the lack of forward buying and the price increase.

Some of this group has taken the opportunity to throw the Jacob Albright program back at us.

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TRADE CLASSES (cont'd)

Supermarkets

Shaws Supermarkets (Boston) has purchased Iandoli's (16 stores). It is now rumored a British group is buying out Shaws.

Supermarkets General is trying to get some cash together and has sold its Heartland Drug Stores to CVS.

A & P Metro currently has our CMF II and is looking very seriously at RJR's Flex unit. We have countered with our System 2000 and a second end cap, but with no bonus money we are somewhat uncompetitive.

Grand Union, who has decided to go with RJR's Flex, first offered us the sixth and seventh shelf along with an average of six new rows. We countered with our primary shelf being the third and asked for 17 additional facings. The outlook is good.

Finast is still negotiating with us on additional space on their new RJR Flex units. Due to our time together at the V.S. Tennis at Newport, R.I., they have asked us to come back with a System 2000 proposal.

CONVENIENCE

Cumberland Farms has moved back for 1-2 months the roll-out of our new M-4's. This is due to some management changes involving some reporting changes. A security conscious V.P. now has more say over merchandising. On the positive side Steve Haringa, who has been a supporter, has been promoted to Director of Procurement.

DRUG

Brooks Drug has a new president, Theo Foiz, formerly president of Consolidated Cigar. Since he has just come from a tobacco company, this may benefit the category.

MASS MERCHANDISERS

Zayre plans on upgrading their cigarette departments. We presently are working on carton and pack proposals. We also have sent a proposal to the N.Y. office for consideration which ties in some co-op merchandising.

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MASS MERCHANDISERS (cont'd)

Ames Department Stores has asked our SAM to help reduce shrink from its current level of 22%. They have stated if they can't control shrink they would seriously consider eliminating the category.

VENDOR

C.I.C., a large vendor in N.J., has reported that "Friendly Restaurants" and "Roy Rogers" have eliminated selling cigarettes.

D.R.S. CONTACTS

Grand Union - Met with Bill Louttit and discussed current merchandising. S.A.M. Grande is putting together a proposal for shared carton merchandising with RJR. They are currently testing L.P. spinner with us.

Brooks Drug - Saw V.P. David Morrocco. He was very complimentary of our Sales Force and will be considering programs from us.

McLane N.E. - James Curley, President, requested that I find a speaker from N.Y.O. to represent the cigarette category at the N.Y. Association of Convenience Stores convention on September 16, 1987. V.P. Ed McQuigg will be the P.M. representative.

A & P - Met with Dick Gregori, A&P N.E., and discussed Value Centers. These are now being installed in their stores.

MERCHANDISING PROGRAMS

Carton

Hannaford Brothers (Maine) has gone with the RJR Flex which has netted us 21 additional rows.

Stop-N-Shop continues to look at our System 2000 as an alternative.

Supermarkets General is considering expanding the use of our System 2000 to their N.E. stores (Purity Supreme). Currently they have four stores in test.

P & C (Syracuse) has agreed to a four-store test of our System 2000.

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Pack

Package fixturing for Shop-Rite Big V stores has been completed.

We have arranged to test a low profile spinner with Grand Union. They presently are looking for options to their current fixtures.

We continue to encounter RJR's offer of a bonus and/or monthly payments to remove our fixturing.

REGION ACTIVITIES

We have redeployed two Sections and plan on looking at adding a third Division Manager of Retail Merchandisers. While it's too early to tell, this should make for a more efficient operation.

Marlboro Summer Inventory Program - This program has gone well to date, with good response from our organization as well as retail. An early count indicates we have pushed through an additional 24 million units.

SALES SERVICES

The new programs being provided us (Space Comand, Customer Trak) along with the new Smart Desk will provide us a wealth of new information, but it has consumed a great deal of time coping with getting the kinks out and learning the systems.

SALES DEVELOPMENT

The SAM's have begun working closely with their accounts and are learning their organizations. They have been exposed to our new selling tools (MPA I and II) at a mini Region workshop. The SAM selling seminar should bring all this information together for them. We will be meeting with our SAM's and SSM's to set strategies for the short and long term during late August.

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I. PHILIP MORRIS BRANDS

TEST

P. M. BLUES

The addition of another lighter display is welcomed and will help create renewed awareness and trial for the brand. We anticipate no problems in utilizing the additional 442 displays. Distribution remains strong with isolated stores still refusing to carry the brand because they have been waiting over 2 months for coupon redemption money. In these stores, our cash redemption program did not help because coupons were mailed. We continue to follow up to gain distribution.

At retail, we continue to maintain good visibility and inventory levels are in line with sales. B&W has scheduled a 2/1 on Kool Milds (all packings). Complete details will be forwarded as soon as received. We should consider a 2 for 1 on Blues at some later date to counteract.

Tom Garguilo and Jose Fontanez from Brand conducted a market check this week and also explored a bar night program for the "Flats" area. Additionally, we have been contacted concerning sponsoring a jazz group in an inner-city park similar to B&W's City Jam Program. We should continue to work Blues with patience due to the market we are trying to reach. When acceptable levels are reached, expansion to Detroit and Toledo should be considered. To regionally work the brand would give us a strong base to build on for the long term.

MARLBORO LIGHTS 100's MENTHOL

All chains have accepted the packing and pre-booking at retail continues to be very effective. Movement is slowing down because of the product being taken off of the counter displays and being replaced by Cambridge Full Flavor. It would have been beneficial in the "Test" Area to keep Marlboro Menthol on the B/M displays and to have had a separate display for Cambridge Full Flavor. Competitive pressure continues in the "Test" Market Area, especially with Kool, Newport and Salem.

PRICE/VALUE

Cambridge Full Flavor sales continue to show growth. We are now in the process of checking reorders to build stock inventory levels, as well as, with all Cambridge packings. B1G1F stock sold very quickly. In fact, some displays sold

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PRICE/VALUE (continued)

out within two days. Current distribution levels are at approximately 85%. The Count/Recount was completed on schedule. Although we had some coupons arriving 3 weeks late, we have been able to coupon approximately 87% of all product. It remains crucial to have all coupons available during the beginning of introductions.

FULL/MARGIN

Acceptance of V.S. Ultra Lights to date has been excellent. We have received very positive comments on the trade gift and also the various elements of the program. In some accounts, based on our knowledge, we are also selling in B&H Lights Box simultaneously with excellent results.

Acceptance of the Marlboro Sports Bag A-1 Display has been excellent. This promotion is very timely in light of the stock buildup at most accounts from our recent price increase. Placement of the displays will help move stock out of the stores. Since an A-1 contract is not required to place display for this promotion, we anticipate 100% usage. Extra displays will be used in accounts where Summer Resort Programs are being held.

II. MAJOR COMPETITIVE ACTIVITY

AMERICAN

Introducing new Pall Mall Red Filter Kings and 100's. Will be heavily promoted with new 3-dimensional P.O.S. Also a wide variety of in-store coupons, buy one get one free and more.

B&W

Introducing CAPRI 100's at wholesale distributors. Bill Breneiser of Park Jensen received 2 cartons of Capri Regular and 2 cartons of Capri Menthol. Introduction to begin at retail August 4th. This introduction appears to be Regionwide.

Offering a sequential promotion on Capri - 2 for 1, lighters, marking pens, and then another 2 for 1.

Has advised all accounts in writing that all promotional product shipments will carry 3½%/45 day terms from now on.

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B&W (continued)

Rumored that Richland will be coming in Menthol packings. No hard copy yet, but will forward to NYO when available.

L&M

New packing - 30 pack, L&M 100's now being offered to Direct Accounts with very poor acceptance. Main problem is that all product must be wet stamped. An allowance of $20 per case is being paid to Direct Accounts. New private label brand being produced for Fleming Foods by L&M has promotions such as B1G1F and $2 off coupons attached to cartons. Movement at this time is minimal.

RJR

Household mailers now being sent on all Camel packings, offering $2 off a carton. Doral - slower product movement is evident where coupon activity has been reduced. It does appear they are doing different things with Doral in different markets. For example: you will see anything from .50¢ to $1.00 off carton to no coupon at all.

Continuing their $2.00 off coupons plus the .25¢/carton reimbursement to retailers. All of this is designed to move out excess inventories at the wholesale level.

In Pocono Mountains, RJR had 10-15 Sales Reps blitz the area with P.O.S., temporary and permanent to support the Winston NASCAR event.

Has a new P.O.S. item. A Winston pack 2½ feet high x 18 inches wide (metal) that is pole mounted features a "sold here" sign on the top. Placements to date have not affected our terms.

III. TRADE CLASSES

SUPERMARKETS

Acme Market has presented us with a program to advertise on their fleet of trailers total 900. Each trailer will have two 4 x 8 ad panels. Complete details sent to N.Y.O.

RJR new Electronic Security Fixture presented to Rego's ten store supermarket chain with average store volume of 880 cartons per week. Chain now has seven self-service stores, but has repeatedly voiced concern over pilferage.

Ukrops is going to place one new RJR electronic security rack, with the possibility of placing three additional.

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DRUG

Save-X Drug has accepted placement of our carton fixture in one store as a test. In addition, two stores will have our Value Centers and one store will have our AM Fixture. This is a very positive move for this account. We hope to continue to penetrate this account with our merchandising fixtures.

L. F. Widman Drug (103 stores) accepted both Cambridge Full Flavor packagings which is a major breakthrough.

C. R. Pharmacy signed an AV contract for five stores. Also special overhead carton storage fixtures is being manufactured and should be installed later this month.

Discount Drug Mart, a twenty-two store chain over 500 cpw store average, is opening a new store in August. They currently use RJR's overheads in all locations, at all check-outs. They are placing PM overheads at new location. They also have accepted our shopping baskets for all locations. This is a major breakthrough as RJR has always totally dominated this account.

CONVENIENCE

Results of a recent 7-11 inventory control survey has been tabulated. Findings will be presented to 7-11's Mort Flax in an effort to formulate action plans to reduce the high number of unsaleables.

Cambridge Full Flavor now in Tinee Giant. This will solidify availability in the convenience group in the Tidewater area.

7-Eleven (WVA), continues with our floor bin carton promotion. With its success, it has prompted the account to participate in a follow-up Cambridge Promotion, resulting in an automatic distribution of an additional 1,290 cartons.

GAS/CONVENIENCE

SOHIO

Nine additional System 2000 racks (4') authorized for their Atlanta Division. They also agreed to test our Marlboro A-1 in 15 locations. This is a first for carton promotions in this account.

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IV. DRS KEY ACCOUNTS CONTACTS

MILLER & HARTMAN - JAY BROWN, PRESIDENT

Met with Jay to discuss Cambridge distribution and our participation in their trade show. Under Jay's leadership, Miller and Hartman has become one of our top suppliers. Jay is a definite decision maker who we need to continue to have a close relationship.

TURKEY HILL MINI-MARKETS - DAVE COOK, PRESIDENT

I had the opportunity to discuss with Dave a variety of topics including M-4's, Cambridge and overhead racks. Dave has made a complete turnaround regarding P.M. and this has helped in the greater Philadelphia market. We will be upgrading our B displays.

HANOVER CANDY & TOBACCO - BARNEY SMALL, PRESIDENT & DIRECTOR OF STATE TOBACCO ASSOCIATON

Discussed with Barney, Cambridge and various competitive programs. As a member of the board of directors for the association, Barney is a very influential individual.

V. MERCHANDISING PROGRAMS

CARTON MERCHANDISING PROGRAMS

Save-X Drug has accepted placement of our carton fixture in one store as a test. In addition, two stores will have our Value Centers and one store will have our AM Fixture. This is a very positive move for this account. We hope to continue to penetrate this account with our merchandising fixtures.

Giant Food is considering adding a 7th shelf to existing 6 shelf carton fixtures for price/value cigarettes. We presented our System 2000 as an alternative to Reynolds fixture, but were rejected. However, we were assured of adequate space for our price/value products if the addition of an extra shelf materializes.

Standard Oil has agreed to place System 2000 in approximately 15 stores as a test since CMS II is no longer available. We anticipate that they will accept the fixture, which will solve our previous problem of availability.

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P.M. PACKAGE FIXTURES

Quik Shop, Waldorf, Md. has accepted P.M. overhead for 12 stores with customized logos.

PLAN AM

Currently working on an account by account to establish priority list and objectives. Each Section will be contacted for follow-up.

PLAN AV/AG

The new revised schedule is in the field and currently being implemented. We have reemphasized with all personnel the importance of adequate fixturing for generic and value cigarettes.

Safeway, Landover, Md. is no longer pleased with L&M's free standing value centers and plans to add a 9' section to existing carton fixtures for price/value brands exclusively. This unit, unfortunately, will be supplied by Reynolds as well. Safeway has discontinued distribution of Delta and, we now have full distribution of our price/value brands.

We have gained authorization from Jumbo Foods for placement of a 5th shelf on our value centers. Both add-on shelves and security shields are on order.

Rego's is very close to signing an AV contract for all stores which would be a major breakthrough in this account.

PLAN A-1

Marlboro Sports Bag A-1 - commitments have been gained from EMRO-Eastern, Kroger Cincinnati and Columbus divisions. Down the street (no contract) placement will insure 100% usage. With chain commitments to date, Region allocation will find us in short supply for independent placement.

COUNTER DISPLAY

Current status of our counter display units remain unchanged since last report.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

VI. REGION ACTIVITIES

SPECIAL PROGRAMS

Region continues to place emphasis on improving inventory and distribution for all major packings. Cambridge is receiving added attention through improvement in PM/Value Merchandisers and special couponing efforts in higher volume accounts.

Efforts underway to present new Plan A series contracts along with introductions on Virginia Slims Ultra Lights and B&H Box.

SAMPLING PROGRAMS

All Marlboro Summer Samplers are currently on board and actively working to maintain consumer objectives.

B&H INTER-CITY SAMPLER PROGRAM - Is in full progress at this point with reports of improved customer awareness.

RESORT PROGRAMS

All plans have been finalized for a number of resort programs in Region II. Coverages have been planned for the Delaware, Maryland and Virginia Shore communities.

We have also been involved in a number of other activities including a number of trade shows, W. Va. Trap Shooting Championships, the Chinoteaque Volunteer Fireman's Carnival, to name a few. Our sales personnel have shown enthusiasm and creativity to meet these demands.

VII. SALES SERVICES

P.O.S. FACILITIES

We have been able to consolidate and expand all warehouses to be more cost efficient and improve response time. There are still two or three warehouses that will not be operational until the end of this month.

SALES SERVICES

Each Section is working to make their Planning Desk operational by the week. With the relocation of the Section 22 Sales Office this week, progress has been hindered somewhat. Expect all "Planning Desk" to be operating by next week.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

VIII. SALES DEVELOPMENT

Nothing significant to report.

IX. MEDIA

See Supermarket comments regarding Acme "Trailer" billboards.

X. OTHER

Nothing significant to report.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

MARKETING CONDITIONS

Cambridge Full Flavor

Introduction continues to show good acceptance. Has been highly successful with distributors, wholesale grocers, and the majority of chain accounts. Retail response to the B1G1F promotion has been excellent. Couponing efforts currently reflecting a 90% status range. Many gaps existing on the Lights packings are showing acceptance as a result of the Full Flavor introduction. Our biggest problem continues to be Winn-Dixie. Some of the majors who have refused acceptance are - Bi-Lo (165 stores), Food Lion, and Publix. Major breakthrough reported on Delchamps; have accepted all 6 packings and established end-cap in AV merchandising.

Players Lights 25's

Sales continue to show decline throughout the Region. Entire category appears flat. B1G1F promotions provide some stimulation but only on a temporary basis. Suggest banding product locally to eliminate overstocks, both at retail and wholesale levels. Sections reporting outdated product due to lack of sales in relation to inventory buildup.

Virginia Slims Ultra Lights - Benson & Hedges Lights Box

Product introductions now underway. No problems have been noted to date. Most major accounts pending committee ruling. Initial response from those accepting has been generally positive.

P.M. Sales - Region III

P.M. volume through the month of July, 1987, in the Region showed an overall 3.3% increase and all Sections on the plus side, except for Sections 32 and 33.

MAJOR COMPETITIVE DEVELOPMENTS

American

. Malibu - Extensive B1G1F promotions appearing in all Markets. Sales are generally reported to be slow, with some isolated sales trends in a few FL Markets. B1G1F promotions generating decent pack sales; however, carton sales appear non-existent.

. Malibu being supported with $3.00 coupon offer. Gaining space in NSS outlets via their new payment structure. Some impact being noted on P.M. Value Centers. Estimate distribution ranges from 70 to 80%.

. Nine-state test on Pall Mall Red Filter 85/100's. Details sent to NYO.

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Brown & Williamson

. Capri distribution reflecting strong inroads in major chain outlets. Sales indicate a leveling off period several weeks after initial intro. Surveys indicate a 75 to 85% distribution range. B1G1F promotions generating strong pack movement with no impact on the Virginia Slims packings reported. Mass sampling reported in Metro Miami downtown areas utilizing full 20's with $2.00 carton coupons and B1G1F pack incentives.

. Falcon - Full line distribution noted in all trading areas; however, ratios indicate a 35 to 40% acceptance level. Sales activity very slow across the board. Special coverage patterns being worked by outside divisions in Sections 31 and 35.

Liggett & Myers

. L & M 30's introduced in Savannah, GA, and entire State of SC. Product has yet to arrive at distribution points. Poor acceptance rate being noted, even at distributor level. GA, FL, and SC have already approved special stamping. GA requires double 20's, indicating loss of 10 stamps per unit.

. 30-carton/40-pack displays reportedly being accepted at several non-direct chains with payment of $223 for the period July through November. Offering $30.00 for 2 shelves on any Value Center.

Lorillard

. Newport 30-unit ethnic displays featuring free lighter with 3-pack purchase being reported in all inner-city areas. 25¢ off coupons generating good sales in targeted areas. No $2.00 support coupons being noted in all other areas.

. True supported with $1.00 off coupons. No significant sales activity noted.

R. J. Reynolds

. Magna distribution estimated to be around 65 to 75%. Extensive B1G1F promotions in all Markets generating good sales, primarily in Tampa and Orlando Markets.

. Winston, Salem, and Doral showing heavy support in all Markets with $2.00 carton coupons and 25¢ pack incentive.

. Vantage 2 for 1's reported in all Markets.

. Have noted 50¢ off carton coupons on Doral, indicating a major drop in their couponing incentive program.

. RJR advised many accounts their conversion program will take place once $1.00 coupons have been depleted.

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. P.M. OPM losses continue to mount as RJR is reportedly paying up to $300 for placement of units in P.M. dominated accounts. Bonus has, in fact, had a major impact upon our package merchandising programs. Many P.M. units being destroyed upon removal.

. RJR pre-booking activity is reportedly being supported by offering retailers a 25¢ per carton discount which is paid at time of placing orders. Has been successful in bringing up product lines.

TRADE CLASSES

Distributors/Wholesale Grocers

Inventory levels are reported to be excellent at all classes of the trade with some accounts showing several weeks of backup through our recent price adjustment program.

. Newton Tobacco, Atlanta, is scheduled to move to its new location by August 1.

The continuing flow of brand proliferations from companies is starting to create a problem with the smaller houses. Several of our accounts are developing a slot allowance program to restrict the amount of brand line extensions they will authorize at warehouse level.

Supermarkets

. Kroger/Nashville has authorized our System 2000 fixtures in all stores where local managers feel the system is an improvement over their RJR setup. We currently have 3 System 2000 carton units installed in their newer, high-volume outlets. Last week (10) 1x2x1 custom package units were installed in their newest mega-type store. We have agreed to again participate in Nashville's annual sales conference in September to "show the System 2000" to individual store managers. Members of the Atlanta division will also be present, which should give us the needed reinforcement to move this division in the same direction.

. The "custom package merchandising program" designed for Kroger Nashville and Charlotte is starting to reflect placement activity by both Sections 35 and 31. (20) 1x2x1 and (20) 2x2x2 units were shipped from the Region warehouse in late July and placements were made a week later. Region control has been excellent and we expect to utilize 50% of these fixtures by October 1. Kroger is very pleased with both the installation and unit designs. Casters have been ordered for the additional units to enhance installation requests locally.

. The EMC test payment program for Florida is underway and appointments are scheduled starting August 3. Extra Markets, Publix, and a few other local accounts initially rejected the concept; however, the "payment incentive" may reverse this decision.

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. Delchamps (96 stores), Mobile, authorized 6 Cambridge packings and agreed to establish end-cap merchandising for Value products in 60 stores. AV's authorized in 36 other stores.

. We are currently surveying all NSS chains to determine opportunities for possible implementation of a NSS agreement. South Florida continues to be our greatest area of need for this type of approach with Winn-Dixie being our top problem account. RJR has some form of NSS contract with the majority of these type outlets.

. Community Cash (43 stores) continues to move towards NSS carton merchandising, with 7 stores now converted. Attempts underway to gain dominance in their new Service Department concept via OPM and signage programs.

Convenience/Gas

. The M-5 conversion programs in Circle K and Southland Divisions were completed in accordance with implementation schedules.

. Charter Marketing has purchased Mr. B's (265 stores). Conditions will remain the same for approximately 12 months with some changes in senior management.

. The MaJik Market signage conversion program is starting up again after their reorganizational shuffle. Florida stores remain on target with projections.

. Huntley Jiffy (325 stores) agreed to place Marlboro banners in 100 stores to promote 3-pack program test.

. Kayo Oil accepted low-profile OPM's in 14 stores with very high possibility for chain-wide expansion.

Mass Merchandisers

Nothing to report.

Vendors

The vending segment is starting to feel the direct effects of smoking restrictions in portions of South Carolina. Was personally advised that numerous plants in the State have ordered vendors to remove cigarette machines from employee lounges in their factories. Several hundred machines were lost during the months of June and July. Vending organization is trying to fight the decision; however, it appears their entire contracts will be cancelled if they don't comply. Advised C. Johnson of Government Affairs, Region III, to investigate matter further. Problem tends to be spreading across Regional Markets.

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Newsstands

. Elson's - Atlanta (H. W. Smith), agreed to participate in a 26-week promotional program in selected outlets. B & H Lighter display (2-pack) will be started early August.

Returned Goods

Region returns are reflecting a +12.4% increase YTD with all Sections showing gains. Both Florida Sections are reporting sizable increases of 20% or more YTD, while the three remaining Sections are averaging 3.8 to 8.9% increases. Investigation underway to determine reasons for increase. Section 35 reflects a 114.0% monthly gain.

ADRS - KEY ACCOUNT CONTACTS - JULY

Date	Company	Name	Title
7/1, 7/15	Winn-Dixie Corp. Jacksonville, FL	Lewis Perry	V.P. Merch.

Followed up on FVB and Cambridge presentations. Lewis continues to put off decision, but appears to be strongly leaning our way. I will continue weekly follow-up

7/10	Li'l Champ Jacksonville, FL	Eddie Jackson	President

Accompanied SAM Linda Patterson on this call. Presented primary M-4, adding Cambridge to Doral fixture, and BV displays. Outlook positive, however, results pending.

MERCHANDISING

Plan A

Our potential base of qualified, signed Plan A agreements is averaging around 95% in the Region. Row Gaps tend to be driven by the restrictions of smaller fixtures on location in the 500 CPW+ accounts; 28.5% of our current Plan A's fall within this volume range, while 43% are signed in the 300-499 category. Our percentage of self-service row allocation is only 28% vs. a 45.9% in the lower CPW categories. Specific individual account objectives are being reset by all Sections to move us towards a higher allocation of inventory needs to close our gap situation at the upper CPW ranges.

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RJR appears to be dragging its feet in providing larger fixtures to key chains, thereby restricting our ability to negotiate more space allocation. System 2000 is being used to stimulate action; however, the payment differential puts us at a major disadvantage to instill conversion fever. AM activity is being used effectively to expand row allocation, but it could result in only a temporary fix for a long-term problem.

The NSS agreement approach is becoming more of a necessity as chains look towards a more secure method of carton merchandising. Have noticed that several chains are turning to the NSS concept by using the Service Center method to keep product visible yet secure. NSS agreements should have some form of visibility and inventory clauses included to assure maximum performance for payments.

. Delchamps has committed to re-sign a new contract allocating P.M. 86 rows on the in-line fixture in 61 stores.

Plan AM/AV

The new AM program is starting to generate some real interest with the larger chain groups which have not elected to move towards the larger departments. Section 31 signed 3 chains, accounting for 94 stores with Plan AM.
A & P, Charlotte, has approved placement of our AV units for merchandising of Royale and Cambridge. The Atlanta division has locally approved the same units but wants to obtain headquarter decision before authorizing installations.

Numerous other chains are pending final decision, with the majority showing a positive initial response.

With 52% of our workload comprised of C-store operations, it would appear that we could make more inroads if a schedule was drafted for those stores in the 300 CPW range.

Counter Merchandising

The M-3/M-5 agreements continue to expand across the Region.
- . Quick Shop (35 stores) approved M-3's all stores
- . Unocal (15 stores) M-3 all stores

BV's

Allocated 5,000 units to Sections via MIDAS. Unit continues to serve immediate needs if we could keep a constant supply on hand to meet commitments.

Plan A-1

All Sections reported that the Marlboro A-1 Sports Bag promotion received excellent acceptance by the trade. Section allocations are reportedly sold out. Material delivery on time with few minor exceptions. The 30-carton units very popular as expected. Anticipate full utilization in Region.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

. Section 33 advises that the Certified A-1 "test" program is proceeding as projected. Expect placement of 1,000 units by program completion.

REGION OPERATIONS/ACTIVITIES

Management meetings were conducted on July 21 for intro of V. S. Ultra Lights/B & H Lights Box. Account coverage underway for fastest possible implementation of both programs.

SSM's continue to direct majority of their time to SAM training as directed by Region. Objectives planning underway by all Sections, including individual accounts assigned to SAM positions.

Follow-up activities also being conducted on Cambridge Full Flavor where pending status is in effect.

DM's directing some major attention to call book accuracy by S/R's to assure reliable data flow.

SALES SERVICES

Systems

The new planning desks assigned to each Section Office have been installed per scheduled projections. Some equipment problems are being reported; however, these issues are being addressed and corrected in a reasonable and timely manner.

The P.O.S. MIDAS allocation system appears to be working quite well. Flexibility of input and withdrawal on items enables Region/Section to redirect allocated items per commitment/ demands.

The new PC/MMS transfer system appears to be working extremely well between offices. Office Staff are adapting well to the new procedures and already feel comfortable in transferring reports and other text data files. Would consider system a major leap in our communication network.

Fleet Administration

Majority of offices are already maintaining fleet data on their P/C units. Hopefully the new MIDAS entry/record system allows data entry on vehicle numbers, serial numbers, and tag identifications.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

MISCELLANEOUS

Progress continues to be noted in all SAM positions, despite the slower levels of training being provided. Any real accomplishments reported lately appear to be directly related to some action generated by this level. Some association by the Area Managers on previously assigned accounts has been a hindrance, but overall the SAM's appear to be more aggressive and creative in their business development thinking process. Once the SAM's are familiar with the systems offered by the Planning Desk, I foresee an almost unlimited growth possibility in their personal selling skills and abilities.

Would like to suggest a revision in the MIDAS Section coupon entry screen. By adding a YTD column, it would allow a person to more accurately measure previous shipment quantities and enable Sections to determine usage patterns without maintaining numerous side systems in the office.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

I. PM BRANDS

Test Brands

Marlboro Menthol was accepted by all accounts servicing the test market area associated with Section 42. Pre-booking is in progress and is also going well. We recommend that pre-booking be part of future introductories.

Full Margin

Virginia Slims Ultra Lights and B & H Lights Box have been accepted by all distributors contacted to date. Although only a few chains have been contacted, there has been some resistance to accepting four packings at one time.

Price/Value

Our current void of value box packings has led to several managers recommending that Cambridge Box be introduced this year. Box markets should be a priority.

Cambridge Full Flavor sell-in went very well and was generally accepted by all accounts with Cambridge distribution. Several new accounts also accepted Cambridge; i.e., Kroger Indianapolis, Hooks Drugs.

Cambridge cartons couponed at retail are averaging around 62%. Section 41 has the highest average (85%) but lowest SDI. Section 42 has the lowest average (35%) but the highest sales. Additional manpower is being applied to improve the latter. Modified factory couponing availability could also help improve the percent of carton coupons, especially is high-value SDI areas. This would also reduce redemption problems.

II. COMPETITIVE ACTIVITY

American

Pall Mall Filters are being introduced in king size and 100's packings. Details were sent to our New York office.

Brown & Williamson

The introduction of Capri in Michigan (first shipment August 4, 1987) will be supported by supplying manpower from neighboring states if necessary, according to a local DM. Our Virginia Slims Ultra Lights introduction should offset the impact of their introductory.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

II. COMPETITIVE ACTIVITY (cont.)

Lorillard

A new four-sided spinner type counter display is being placed in selected high-volume accounts. Additional information will follow.

R. J. Reynolds

Several managers and Sales Reps are accepting early retirement, which will be effective as of August 1, 1987.

K Mart indicated that RJR will make their value brand for them. FVB Regional Manager, Dennis O'Neill has made a follow-up presentation. K Mart reconsidered PM's offer and responded negatively. It appears RJR may get into the value business.

Many accounts throughout the Region said they have been cautioned not to take PM's racks. The consequences supposedly will be loss of RJR couponing and promotions.

Magna is being introduced in Indianapolis and South Bend on August 15.

Doral 50 cent carton coupons have been popping up all over the Region.

III. TRADE CLASSES

Distributors/Wholesale Grocers

Spartan purchased J & J Jiroch (Grand Rapids) this month and is now one of the largest distributors in the state of Michigan.

Core Mark (Milwaukee) lost Speedway's business. This has caused them to reduce working hours from 40 hours to 25 for hourly employees on the second shift. This will probably mean a loss of 300 cases per week. Rumors in the trade indicate that Core Mark's financial position is not sound.

Supermarkets

Dominick's has slowly begun to move some of their stores to non-self-service. A proposal is being looked at to include this chain in a NSS test.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

III. TRADE CLASSES (cont.)

Supermarkets (cont.)

We have placed two EMC's in Cub Stores located in the Minneapolis, Minnesota, area. This could lead to placements in all Cub Stores.

A & P, Detroit, authorized AV displays for all stores and had RJR remove all of their Doral displays. PM units have been placed on location.

F & M signed a new Plan A contract. PM will gain 2,045 additional rows.

Key markets, a six-store chain in Hammond, Indiana, has also accepted EMC's.

Lowell's management is satisfied with System 2000 but the security shield appears to be a problem. The problem is being addressed. This account has also approved EMC's for all stores.

Convenience

Tom Thumb's three-pack promotion is ready to go as soon as banners are produced. We are also working on a follow-up promotion, which will include three packs with lighter. The details are being worked out now.

White Hen has agreed to test B displays in 12 stores. If successful, they plan to expand to the other 318 stores.

Conna will participate in a three-pack promotion beginning immediately.

Mass Merchandisers

Target is considering a custom-made System 2000. We expect a decision within a week. Approximately 250 locations will be affected if a positive decision is received.

Drug Stores

Snyder Drug is in the process of making a deal with Minter-Weisman to supply them with cigarettes. If it goes through, Snyder will go off direct.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

IV. KEY ACCOUNT CONTACTS

None this period.

V. MERCHANDISING PROGRAMS

Nothing new to report.

VI. REGION ACTIVITIES

The B & H Inner-City and Marlboro Sampling programs have helped reps improve inventory, distribution, and in some cases, sales. Overall results have been very positive throughout the Region. We recommend that this program be initiated again next year.

We finalized details for the Marlboro 500 in Michigan. Visibility was supported by kits sent from Carlstadt, which arrived somewhat after the projected dates. Additional visibility was created with local POS.

The Indiana Black Expo had excellent attendance (approximately 90,000). We were short-shipped B & H full flavor and menthols, which were among the most requested packings. We recommend participation again next year.

VII. SALES SERVICES

Nothing new to report.

VIII. SALES DEVELOPMENT

Nothing new to report.

IX. MEDIA

Nothing new to report.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

X. OTHER

Nothing new to report.

2024665445

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

REGION 5 - HIGHLIGHTS/OPERATIONS 7/87

I. PM BRANDS

Due to the soft economy, PM brands have not responded to expectations in Region 5. We are currently experiencing a -2.8% decline year to date, however, the months of June and July were somewhat positive with sales on the upswing during both of these months. Marlboro is still strong and growing, which is largely attributed to the additional space and promotions resulting from the MIST program.

The value segment in Region 5 is well above National and affords us an excellent opportunity on behalf of Cambridge and our other value products. We are concentrating heavily on the Cambridge Full Flavor introduction as a means of improving the entire category.

Test Brands

Marlboro Menthol in 3 packings are being tested in the St. Louis market. The wholesale sell-in went extremely well with no major distribution gaps. The retail sell-in began August 3rd, however, it was reported that materials for this launch did not arrive. Prebooking on behalf of Marlboro Menthol was excellent which exceeded wholesale allocations.

New Brands

Virginia Slims Ultra Lights -- The national introduction on behalf of this product is under way and early indications report excellent acceptance at the wholesale level. Prebooking is also under way by the sales force and early reports indicate good response from retail.

The test on behalf of this brand is continuing in Memphis and New Orleans, with steady growth being reported. The Memphis market has a share of market of .7% and we estimate 40 to 50% cannibalization. The New Orleans test is also progressing, where depth of inventory and distribution is improving on a daily basis. We have received numerous reports that the 5F3 promotions are not understood and accepted by the consumer.

Cambridge Full Flavor -- We are also under way with the Cambridge Full Flavor introduction, and wholesale acceptance is reasonably good. We are experiencing some refusals at the chain level due to marginal sales from the parent brand.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

Accounts refusing Cambridge include Schwegmann's, New Orleans; TimeSaver, New Orleans, McCarty Holman, Jackson, MS and Brookshire Brothers, Houston. By the same token, the Full Flavor introduction has assisted us in gaining distribution with some major accounts. Minyard's, Dallas (76 stores) accepted 6 packings of Cambridge; Schnuck's, St. Louis (60 stores) accepted 6 packings and Brookshire, Tyler, TX (76 stores) accepted 6 packings. We are confident that the Full Flavor introduction will gain additional awareness and trial for the Cambridge brand and will enhance sales for the future.

We are also introducing, with our wholesale accounts, the **B & H Lights Box.** This product, for the most part, is being presented along with V/Slims UL and we are experiencing some difficulty with major accounts. It is the consensus that far too many products are being introduced, particularly "me too" type brands.

II. COMPETITIVE ACTIVITY

American

- Placing heavy emphasis on Malibu featuring 30¢ off pack stickers and $3.00 off carton coupons. They are also working 2F1 product. Malibu, in general, is not responding to promotions and is experiencing very marginal sales. The 2F1 product, as would be expected, is selling reasonably well.

- SSM James Petroski reported that American has acquired ACCO World Corporation of Northbrook, IL. This acquisition was reported at $602 million which was paid for in cash.

Brown & Williamson

- Their main thrust continues on Capri in the States of Louisiana and Mississippi. As a response to the V/Slims UL introduction, they are again offering 2F1's along with 2 packs and a free pen and, in some cases, lighters. Capri seems to have settled at a .4 market share in Louisiana, however, current promotions are, obviously, having a positive effect on Capri's share in their test areas.

- B & W is also working Falcon, which is a generic price product, utilizing 40 pack displays with 10¢ off stickers. Also using $1.00 off carton coupons. Even though distribution is quite good on Falcon, sales are very slow.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

Liggett & Myers

They continue to promote their full margin brands with $2.00 coupons and incentives such as a Jordache cigarette case free with 2 pack purchase. The Liggett sales force continues to work their generics with $1.00 carton coupons.

Lorillard

- From all indications, Lorillard has no immediate plans to enter the price value category.
- We continue to see evidence of their new plastic display, which features both packs and cartons -- payment $45 per month.
- Lorillard continues to support their full margin products with $2.00 coupons.

R. J. Reynolds

- Vantage, Doral Box and Winston Lights Box are offering 2 packs for the price of 1. James Petroski reports finding Salem 2F1 product in several distributors and it seems apparent of an upcoming 2F1 offer on the Salem brand.
- Generally, Reynolds is treating their sales calls as two separate contacts, one for value product and the other for full margin products. The sales force is involved in forcing through in selling product with construction of displays handled by part-time support. Even though they have encountered some problems, their program seems to be successful and they can impact an area quickly with both product and displays.
- We are experiencing some erosion with PM overheads as a result of Reynolds offering month to month payments tied to their display programs. It appears Reynolds has agreed to pay for their display program and other merchandising agreements in the top category if accounts will use their overhead.
- I have received several reports where they have reduced their Doral on-carton coupon from $1.00 to 50¢. It is apparent that some attempts are being made to generate more profit from the Doral brand.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

- They continue to test Magna in the Austin market with 2F1's and designer sunglasses with 2 pack purchases. They also continue to use $1.00 off coupons along with product being displayed on permanent counter displays. Magna continues to sell quite well and is estimated to have captured 1 share point in this market. Even though their box packing has had some effect on Marlboro Box, retailers report that the vast majority of Magna's business is coming from the value category.

III. TRADE CLASSES

Distributors

Even though most distributors are accepting our new brands, they are not hesitant to voice their opinions. It is the general consensus that far too many brands are being introduced that are expected to generate very marginal share of market. Many distributors are becoming very concerned about warehouse space and inventory cost for products that, in their opinion, would have little influence on sales. It is my estimation that in the not too distant future, distributors will take a close look at their brand lineup and if a brand is not selling up to standard, it will be discontinued.

- The Imperial Trading Company of New Orleans is becoming a major force in the New Orleans market area. They recently signed a contract with A & P of New Orleans to furnish all of their cigarettes for the future. A & P previously purchased direct from cigarette manufacturers.

Wholesale Grocers

- The Fleming Company of Oklahoma City has entered into agreement with Liggett & Myers to produce a new private label called Rainbow.

- H.E.B. of San Antonio contracted with North American Industries for electronic message signs in their 26 San Antonio stores. H.E.B. is soliciting companies, including Philip Morris, to purchase advertising panels on this sign. From all indications, this sign is very similar to the PM message center. I strongly recommend that if PM plans to get involved in the payment of advertising in retail outlets, we should proceed immediately since many companies are now becoming involved in this arena.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

Supermarkets

Minyard's, Dallas recently purchased 4 of the Safeway stores that were closed, with immediate plans for renovation. This leaves approximately 60 of the closed Safeway stores still vacant.

- o A & P, New Orleans accepted the Marlboro Shopping Basket for 83 stores and is seriously considering our AV fixture.
- o Just completed installing 43 AV centers in National Supermarkets, New Orleans.
- o Winn-Dixie, New Orleans accepted the Marlboro Shopping Basket for 86 stores and are seriously considering our AV fixture.
- o Schnuck's, St. Louis (63 stores), approved AV fixtures at manager's option.

Convenience

With the Southland Corporation, the Thompson brothers have formed a separate company in their efforts to buy out the Southland Corp. They tendered an offer to the stockholders and almost 90% of the stock has been offered to the new Thompson Corp. It is projected that this deal will be finalized approximately September 1.

- o Again with Southland, we are experiencing some problems with our M-5 displays due to obstructions. I have alerted the sales force to be aware of any obstruction problems and make every effort to correct. If it is impossible to correct, non-compliance must be recorded and payments deducted.
- o In the San Antonio area, Southland is beginning a multi million dollar media blitz in an effort to attract the Hispanic consumer. It is reported that this program will go national if successful in San Antonio.

Mass Merchandisers

- o James Petroski reports that Target has discontinued all value brands with the exception of major.

2024665450

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

o Wal-Mart, Bentonville, AR is still considering our System 2000, however, seem to be dragging their feet. This is a difficult account to deal with as their primary objective is to receive merchandising dollars and not necessarily to sell cigarettes.

Drugs

o K & B of New Orleans accepted the Philip Morris combination cigarette/magazine rack for all stores. Placements to begin as soon as fixtures are available.

IV. DRS - KEY ACCOUNT CONTACTS

Due to vacations and meetings, I personally made no key account contacts during this reporting period.

ADRS - KEY ACCOUNT CONTACTS

Safeway - Oklahoma City, OK
Contact: Wayne Foxworthy

Attended Safeway, Oklahoma City Fixture Show at which SAM Gary Thornton arranged for 14 upper echelon members of the Safeway operation to personally see, touch, and talk about our carton fixtures and package fixturing. Gary's presentation highlighted the need for additional space and seemed to hit right on target with Safeway's plans. Follow up contact is scheduled for the first week of August, but indications lead toward at least a test of carton fixturing and electronic message center.

Winn-Dixie, New Orleans
Contact: Butch Lunn, Director of Merchandising

Contacted Winn-Dixie along with SSM Ward Cashion and SAM Thomas Kennard. Objectives were to review value center proposals, Plan B series for self-service centers and also the Marlboro Shopping Basket. Butch approved the shopping baskets in all stores and asked for a low profile spinner to show the Buying Committee during the week of August 10. With some revisions to the POG, Butch indicated that the value center stands a decent chance of approval. Thomas will be following up regularly over the next two weeks.

. Audited Circle K Stores in Tulsa, OK area with SAM Barbara Lynch and called on David Paul (Merchandiser for Midwest Region). Also called on Affiliated, Tulsa and Quik Trip for count/recount.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

V. MERCHANDISING PROGRAMS

- Dierberg's chain of St. Louis has agreed to a one store test on behalf of the System 2000.

- We made a major presentation to Safeway, Oklahoma City where 14 of their key executives were present. The System 2000 package fixturing and electronic message sign were presented. From all indications, Safeway is very interested in devoting one endcap to the Reynolds Flex, along with one endcap for System 2000. They also expressed considerable interest in the electronic message sign.

- Clark Oil Co. of St. Louis accepted CMS II for 54 stores.

Plan A-1

The Marlboro Sports Bag promotion was well accepted and generated additional brand awareness and trial. The down the street payment heavily influenced placement, with 90%+ utilization. We continue to receive reports that our displays and header cards are too large and some attempts should be made to reduce the size.

- The 5F3 promotions that we have worked on behalf of new brand promotions are not at all well received by consumers. They simply do not understand the promotion and, in most cases, our header cards do not deliver a clear message. I recommend that this type promotion be discontinued on future introductions.

VI. REGION ACTIVITIES

Since ADRS Jim Paddock has completed his tour of the Assessment Center, he is now devoting much more time to the training of our Senior Account Managers. Region 5 has all SAM's in place and each of these individuals are receiving specialized training. For the most part, Section Managers have become very involved with the SAM's and are assisting them in gaining appointments with key decision makers and also assisting in the presentation. We are beginning to see some early results and I have the utmost confidence in this new job level.

- I have encouraged additional efforts on behalf of the electronic message sign and additional interest is being generated throughout the Region. Our management team is now alerting accounts that advertising space could in fact be sold on our message sign.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

The Sales Force, in general, is heavily involved on behalf of new brands and special promotions. Little activity, at this point, is being recorded on behalf or our revised Plan A.

The Sales Force in Texas, Oklahoma and Louisiana have continued to work MIST to some degree. Efforts are continuously under way to ensure that Marlboro, in every packing, is available in every retail outlet in the quantities necessary to accommodate consumer demand. It is the general consensus that Marlboro should be worked on an ongoing basis if we are to maximize the opportunity of this brand family.

VII. SALES SERVICES

Fleet

We continue to have complaints from each Section on the $100 limit available to the sales force on auto repairs. We are convinced that if this limit could be raised to $200, considerable time and effort could be saved by the sales force.

P.O.S.

For the most part, shipments on point-of-sale material has improved in recent months, however, with our Marlboro Menthol Test in St. Louis, materials did not arrive in time for the August 3rd retail launch.

Taxation

Texas recently approved an increase in the cigarette tax from 20.5¢ per pack to 26¢. This now makes Texas one of the highest states in the country as far as taxation on cigarettes is concerned.

Coupons

It is reported by Section management that coupons for Cambridge are available on a weekly basis. Further reports indicate that all personnel are receiving coupons as needed and field audits indicate that 85% of visible product is now being couponed.

2024665453

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

I. PM BRANDS

PRICE VALUE

.Overall retail introduction of Cambridge Full Flavor is going extremely smooth with only major distribution gaps being in SFW Divisions of Denver, Seattle and Kansas City. We are in the process of re-presenting to all three Divisions and we are confident they will close these distribution gaps. The 2 for 1's are showing excellent movement from our B displays due to the general overall visibility.

.Preliminary reports of the Virginia Slims Ultra Light Introduction are very positive with no major account turndowns to date. Present booking of product by sales representatives was excellent and has helped secure distribution in many accounts.

.Benson & Hedges Lights Box has been picked up by several major accounts although overall distribution will not match what we achieve on Virginia Slims Ultra Lights.

II. COMPETITIVE ACTIVITY

.American - Continues to promote Malibu and will reportedly continue their $3 off per carton until January 1988. They have achieved excellent distribution and depth of inventory, however, sales are extremely slow. Attaching $2 off carton coupons on Pall Mall Filters with 2 for 1 promotions in pack outlets, distribution is at a low level, therefore, sales are almost nonexistent.

.Brown & Williamson - Is promoting Falcon Lights, extremely heavy at retail with very good distribution, however, very little consumer activity has been noted. They continue to coupon at carton outlets all packings of Kools, Viceroys and Bellaires.

.Lorillard - Have introduced a new permanent carton display specifically for Newport which is a green and white plastic gravity-feed unit with a monthly payment of $12.

AUG 5th DENVER

.RJR - Introducing Magna in the Kansas City and Des Moines marketing areas at full price with introductory allowance of $22 per case with another $22 per case count and recount program. In addition, they are also offering a $1 off per carton paid directly to retailers for immediate distribution. Continue to offer a variety of retail programs on all packings from $2 off carton coupons to a $5 coupon on 2 cartons to 3 for 3 package units on Camels. As normal, have a very good consumer response, however, it is mostly for their customers.

2024665454

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

III. TRADE CLASSES

.It is reported that Denver, per capita, has the highest number of warehouse clubs in the nation. We are experiencing extreme pressure from PACE to come up with merchandising plans for all stores. In addition, Buyer's Club is seriously considering dropping distribution on all packings of Cambridge since we do not VPR the product as our competition currently does. This has put us at a competitive disadvantage and has reduced sales on Cambridge so, therefore, they are considering dropping the brand. We must come up with a viable solution to their merchandising and promotional needs.

.Rumors continue concerning the closing of the Safeway, Kansas City Division, and reportedly there are a number of chains, wholesale grocers, and independent retailers who are currently bidding on these stores. Supposedly a decision is to be made on the sale by September 1, 1987.

IV. KEY ACCOUNT CONTACTS

.Wilson Croom, President, Flaks, Inc./Edgar Cullman, President, Culbro - Had dinner with both of these individuals and their wives in connection with the CACTD Annual Convention. Discussed political activities in Washington, D.C. in regard to the industry, as well as local business and issues.

.Bill Marsh, Head Merchandiser, Consumer Markets, Springfield, MO - Discussed System 2000 implementation at his stores and found Bill to be very pleased with the professionalism we have displayed as a company.

.Bill Schrader, Vice President, Southland Corporation - Had lunch with Bill along with Les Olson and SSM Gibson and discussed local merchandising agreements with the Rocky Mountain Division of 7-11, as well as future promotions between our two companies.

.Matt Keller, Merchandising Specialist, PACE Warehouse Club - Discussed with Matt, several times, Philip Morris' potential merchandising plans with this trade class. Set up a tentative meeting in August to fully discuss potentials.

V. MERCHANDISING PROGRAMS

.System 2000 by carton fixtures have now been installed in all 36 Consumer Markets and from personal market checks, we have virtually eliminated Philip Morris out-of-stocks.

.A System 2000 carton fixture has been installed in Safeway, Portland, and we are very optimistic that this may be the beginning of future fixture installations.

2024665455

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

.SSR's Larry Finch and Nicki Howerton have sold 7-11 MAKO on Philip Morris Overhead Pack Merchandisers and have gained a commitment for all 85 stores. Thirteen stores have been placed and I am very proud of these accomplishments by these sales representatives.

.SR Don Johnson has placed 7 of 8 7-11 Southland stores with our Overhead Pack Merchandiser. There is a strong possibility of getting a commitment for all 400 stores within the St. Louis Division.

.Sales representatives are very enthusiastic about the up-coming Marlboro A/1 Promotion as they anticipate improved penetration with our new selling approach.

VI. REGION ACTIVITIES

.Sales activities throughout the Region have been on behalf of the introduction of Cambridge Full Flavor, as well as re-signing Plan A's and gaining additional rows for Philip Morris products.

.Materials for the Cambridge Heavy Up Program never arrived, therefore, sales representatives were very creative in implementing this program throughout the Region in the most professional manner possible.

VII. SALES SERVICES

.PPP materials for Cambridge Full Flavor arrived on time and in the specified quantities.

.With the introduction of our new Plan A and fixture-related programs, it is absolutely critical that we have an ongoing supply of carton rack and package rack labels. At the present time, we do not have any Cambridge Full Flavor labels and have been backordered on many others. We must make every effort to supply our sales force with the tools necessary to do the job.

.The trade gifts for both Virginia Slims Ultra Lights and Benson & Hedges Lights Box Introductions were excellent and since they arrived on time will allow us to maximize their effectiveness, however, since these trade gifts were shipped in bulk to the Section Office, this necessitated each Section to reship to all Managers. In the future, trade gifts should be sent directly to the Manager's POS storage points.

.Section 61 continues to experience backorders and out-of-stock situations out of the Chicago USCO Warehouse. Other warehouses are found to have abundance of materials yet Chicago is invariably out of stock. We must somehow correct this situation since it is taking valuable management time to contact New York to get materials released from the other warehouses throughout the country.

2024665456

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

VIII. SALES DEVELOPMENT

.We are in receipt of the new Personalized Exterior Signage Program, as well as all the selling brochures. This brochure is excellent and I fully expect very positive results due to this professional sales aid.

.We are finally in receipt of our new Low Profile Spinner Package Rack Visuals. As the field now will be able to specifically show our customers what this unit actually looks like, I am sure additional placements will result.

.I have received several complaints throughout the Region that our Marlboro Store Hour Decals become very brittle and crack quickly after being put up. Our people recommend a more permanent Store Hour Sign that would allow for hours to be changed without scraping decals from windows.

IX. MEDIA

.No comments this month.

2024665457

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

REGION 7 HIGHLIGHTS

JULY 1987

I. P.M. BRANDS

July volume sales were down 17% in Region 7 due to post price increase back off. Year to date sales are down 2.5%, lead by Section 72's decline of 9.5%. Both Section 71 & 73's sales are up (+2.5% and +.3% respectively). Both 71 & 73's increases are due to volume account shifts, i.e., new Certified facility opening in 71, and Southland Dist. Ctr. in 73.

Full Margin Brands

. Virginia Slims Ultra Lights Test in San Francisco continues to provide proof of a viable new packing with consumer loyalty. Packing performing at about a .4 share.

. Initial acceptance of Virginia Slims Ultra Lights appears to be positive. Also receiving good response for new B&H 100's Box.

. P.M. delayed price increase differential generated no additional extra ordering by distributors, or chains.

. No price differentials were passed on to most retail accounts. Noted no differences in prices at retail.

. Good participation by all major accounts to P.M.'s and competitors post price increase extra buys.

Price Value Brands

Cambridge Full Flavor

. Still many pending chain decisions on Cambridge Full Flavor. Recommend continuation of introductory allowances for another 30 days.

Section 71	Section 72	Section 73
Safeway (233 strs.)	Safeway (204 strs.)	Stater Bros. (100 strs.)
Luckys (186 strs.)	Ralphs (127 strs.)	Big Bear (20 strs.)
Raleys (47 strs.)	Thrifty (596 strs.)	Allsups (275 strs.)
	Luckys (185 strs.)	
	Albertsons (85 strs.)	

. Total of 2,058 chain stores (18%) non-accepting.

. 1,245 of these of 60% should be moved with planned higher level presentations.

2024665458

Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

. In addition to gaining acceptance of Cambridge Full Flavor, Cambridge Lights Distribution gaps were closed in Vons - L.A. (180 stores), Safeway - Phx. (85 stores), and Luckys - Phx. (40 stores).

. Initial acceptance at retail is excellent. 2 for 1's selling out in two to three days. Also noting repeat and couponed carton sales.

II. MAJOR COMPETITIVE ACTIVITY

. B&W has only attained approx. 50% distribution of Capri in chains due to buyers' vacations and heavy new brand intro. Capri 2 for 1's selling extremely well with some repeats. Intro only in California, nothing some agency part-time help.

. B&W's Falcon distribution in chains @ 60%, independents @ 70% - sales are slow.

. ATC introducing "MALIBU" to management accounts week of July 27th in California.

. New More 120's Lights gaining fairly good consumer acceptance at retail. Retail acceptance and distribution levels good to exchange of old More Lights packing.

. "MAGNA" test in Nevada is showing signs of increased sales, particularly the box packing.

. RJR recently offered early retirement package, reportedly 12 Managers/Sales Representatives in California took offer.

III. TRADE CLASSES

. The Los Angeles Market is now on the verge of another major supermarket strike expected to start on August 7th. All major supermarket chains would be affected from Santa Barbara to San Diego, with the exception of Alpha Beta, which has conceived to Clerk's Union higher wage demands. As experienced in the past, a strike of this nature greatly hinders both our headquarters and local store activities.

. Noting increased inquiries from convenience and conv./gas chains for participation in special 3-pack promotions resulting from "convenience news" article.

. National convenience stores (Stop-N-Go - 177 stores) is disbanding their local marketing departments in Southern California effective August 1st. Everything is being shifted to their Huston Corporate Offices.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

V. MERCHANDISING PROGRAMS

. Successes to increase P.M. carton fixtures and package departments have come to a virtual standstill. The only recent success is a commitment from Longs Drugs for a potential 30 stores. RJR's new $3.00 row payment and their merchandising payment proposition presentations are working to their benefit. Even chains that we were in the process of implementing P.M. racks have put a halt to our activities.

. Our successes with the West Coast Project stand as reported last month:

- 540 stores implemented with P.M. carton fixtures as of July 1st. (423 System 2000, 117 CMSII).

. 399 stores implemented with P.M. centralized package merchandising.

. Most chains moving towards incorporation of value departments with fixturing, opposed to free standing racks.

. Potential 160 value centers in supermarket chains (Vons - 60), (Savemart/new deal 100) pending acceptance of F.V.B.

. Thrifty Drug (596 stores): Acceptance of Value Centers and brand pending buyers return.

. Lucky Stores - Phx. (40 stores), accepted AV's for all stores. This is a first for Lucky, this accomplishment was topped with acceptance of all Cambridge packings.

IV. KEY ACCOUNT CONTACTS

DRS Key Account Contacts

Alpha Beta Stores	(San Francisco)	Doug Russo
Customer Co.	(Benecia)	Ned Roscoe
Raley's Markets	(Sacramento)	Jim Williamson
Humboldt Dist.	(San Mateo)	Ed Underwood
North Coast Dist.	(San Rafael)	Ken Lazzarini

Met and discussed general business conditions and P.M. programs at the special events and dinners associated with the All-Star Game held in Oakland, California. Tickets to this event were supplied by Vin Wiener. Section 71's S.A.M. also attended to socialize with these customers. All customers were most appreciative of our involvement with this event. It was a very positive customer event.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000

Circle K Corp. (Phoenix) - Karl Eller, Bob Hutchinson
Accompanied Ed McQuigg, Less Olson, and Bill Garry on the Circle K Test Presentation. The test conducted measured the effect on sales when cartons are merchandised on a P.M. self-service fixture. Test results were very positive and implementation of racks should accelerate. Ed also gained positive interest in placing P.M. overhead package fixtures, and extension of the paid P.O.S. Program.

ADRS Key Account Contacts

I accompanied Jerry Booher for a call on buyer Ron Fugashiki. This second presentation was made on behalf of our program to supply their private-label brand. Our offer included an extra 5¢ for promotion and an agreement to pay more dollars up front. We also mentioned the possibility of a more lucrative program to be announced. Ron wants us to pay for packaging materials leftover from L&M. He also wants details about the new program. We will see him again in mid-August.

VI. REGION ACTIVITIES

The Special Merit Ultra Lights Beach Area Program went very well. Special lighter/sun glasses/wallet with 2 pack displays were worked in high traffic beach outlets. Noted good retailer and consumer response.

The special B&H defense program is now in final planning stages. All logistics and execution plans are now in place with much merchandiser and part-time merchandiser involvement. Retail meetings are scheduled for August 18th and 19th.

VII, VIII, IX & X

No new developments.

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Source: https://www.industrydocuments.ucsf.edu/docs/rjmm0000